Answers:

(a)   Define the following terms:

   (i) *overhead expense*
   (ii) *dividend*   *[4 marks]*

(i) An overhead expense is an indirect cost that cannot be clearly traced to the production or sale of any single product. For example, rent and lighting costs.

(ii) A dividend is a payment to a shareholder of a company.

Award [1 mark] for a basic definition that conveys partial knowledge and understanding of focus group.

Award [2 marks] for a full, clear definition that conveys knowledge and understanding similar to the answer above.

For only a relevant example or application to the case study award [1 mark].

(b)   Distinguish revenue from profit.   *[4 marks]*

Revenue refers to the money coming into a business, usually from the sale of goods and/or services (known as sales revenue).

Profit is the positive difference between a firm's revenues and its costs.

Award [1 mark] for each valid point identified up to a maximum of [2 marks], and [1 mark] for a correct explanation of the reason, up to a maximum of [2 marks].
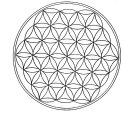
(c) **Use the figures above to construct a full profit and loss account** *[2 marks]*
for the year ending 31 October 2014. The corporation tax is
20%.

Profit and loss account for Rodrigues Traders Ltd
for the year ended 31 Dec 2014

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Revenue (5000 units @$3.00)	15,000
Cost of goods sold (@$1.00 per unit)	5,000
Gross profit	10,000
Overhead expenses	4,000
Net profit before interest and tax	6,000
Finance costs (interest)	2,000
Net profit before tax	4,000
Corporation tax @ 20%	800
Net profit after interest and tax	3,200
Dividends paid	1,200
Retained profit	2,000

[5 to 6 marks]
The profit and loss account is laid out in a suitable format and contain the correct figures.
Award 7 marks if there are no errors.

[3 to 4 marks]
The profit and loss account is generally laid out in a suitable format and contain most of the
correct figures. At the upper end there may be one error.

[1 to 2 marks]
The profit and loss account is limited but there is some recognition of the correct format and
figures.

(d) **Explain why the accounts of this business are important to** *[4 marks]*
shareholders of *Rodrigues Traders Ltd.*

- The profit and loss accounts can be used to measure and compare the performance of a business over time or with other firs

- Potential investors or shareholders may assess the value of investing *Rodrigues Traders Ltd.*

- Dividends may only be distributed with profits made.

Award [1 mark] for each valid point identified up to a maximum of [2 marks], and [1 mark] for a correct explanation of the reason, up to a maximum of [2 marks].

(e) **Analyse the effectiveness of increasing selling price at** *Rodrigues* *[6 marks]*
Traders Ltd.

Advantage:
- increasing sales revenue e.g. by raising the selling price of each teddy bear or selling more teddy bears

Disadvantage:
- losing sales to competitors
- lose customer loyalty

[0 mark]
No knowledge or understanding of relevant issues, concepts and theories. No use of appropriate terminology.

[1–2 marks]
Little knowledge and understanding of relevant issues, concepts and theories. Little use of appropriate terminology. No reference is made to the information in the stimulus material. The response is mainly theoretical.

[3–4 marks]

A description or partial analysis/examination with relevant knowledge and/or understanding of relevant issues, concepts and theories. Some use of appropriate terminology. Some reference is made to the information in the stimulus material, not just to the name of the organization.

[5–6 marks]

A balanced analysis/examination with accurate, specific, well-detailed knowledge and understanding of relevant issues, concepts and theories. An analysis/examination that uses appropriate terminology throughout the response. Explicit references are made to the information in the stimulus material.